

## Message Text

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16

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DRAFTED BY TREAS/OMEA/RANDERSON

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TO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 047581

E.O. 11652: GDS

TAGS: OVIP, (SIMON, WILLIAM E.)

SUBJECT: VISIT OF SECRETARY SIMON; SUBSTANTIVE DISCUSSIONS

REF: (A) CAIRO 2296; (B) CAIRO 1122

1. WE AGREE THAT SECRETARY SIMON SHOULD RAISE ISSUES  
CITED PARA 2 OF REFTEL B. SUBSTANTIVE DISCUSSIONS DURING  
SECRETARY SIMON'S TRIP WILL FOCUS ON THE FOLLOWING:

A) THE INVESTMENT CLIMATE AND U.S. INVESTMENT IN  
PARTICULAR WITH EMPHASIS ON MAJOR PROBLEMS ENCOUNTERED BY  
GOODYEAR AND OTHER U.S. FIRMS, E.G. (1) SHIFTING OF GOE  
POSITIONS ON TERMS PREVIOUSLY AGREED; (2) UNCERTAINTY  
AND COMPLEXITY OF GOE PROJECT APPROVAL AND AWARD  
PROCEDURES; (3) PROFIT MARGINS; AND (4) ASSURANCE OF RAW  
MATERIAL SUPPLY INCLUDING FOREIGN EXCHANGE ALLOCATIONS  
TO FOREIGN INVESTORS.

B) U.S. ASSISTANCE AND THE POSSIBILITY OF AN  
INTERNATIONAL CONSULTATIVE GROUP FOLLOWING UP UNDER  
SECRETARY ROBINSON'S MEETINGS THIS WEEK. RUTHERFORD POATS  
WILL INFORM SIMON PARTY IN JERUSALEM OF ROBINSON'S TALKS.  
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DISCUSSION OF THIS TOPIC WILL POINT OUT THAT EGYPT'S NEED FOR BALANCE OF PAYMENTS ASSISTANCE IS CLOSELY RELATED TO

INTERNAL AND EXTERNAL ECONOMIC POLICIES AND IMPORTANCE OF GOOD WORKING RELATIONS WITH IMF/IBRD.

C) TAX ADMINISTRATION ASSISTANCE-A GREAT DEAL OF TIME HAS ELAPSED SINCE SECRETARY SIMON RAISED THE POSSIBILITY OF A TAX ADMINISTRATION PROGRAM WITH THE EGYPTIANS. THE EGYPTIANS SHOULD DECIDE ON WHETHER THEY WANT TO GO AHEAD WITH THIS PROGRAM SO THAT TREASURY TAX EXPERTS CAN BEGIN WORK IN THE VERY NEAR FUTURE.

D) U.S. BANK DEPOSITS-WE HOPE TO RESOLVE SOME OR ALL OF ISSUES RELATED TO OUR U.S. GOVERNMENT-OWNED EGYPTIAN POUNDS, NAMELY THE TRANSFER OF 10 MILLION POUNDS TO THE CHASE JOINT VENTURE, REDUCTION OR ELIMINATION OF BLOCKED ACCOUNT, AND A MORE REALISTIC INTEREST RATE.

E) DEBIT ARREARAGE-WE WOULD ENCOURAGE GOE ELIMINATE \$10 MILLION OF ARREARAGES THAT HAVE BEEN BUILDING UP IN RECENT MONTHS. MORE IMPORTANT, WOULD URGE GOE TO DEVELOP MECHANISM AND PROCEDURES FOR THE IBRD IN ENSURING THAT FOREIGN EXCHANGE IS AVAILABLE TO MEET INSTALLMENTS IN FULL WHEN DUE. IMF, IBRD AND OR U.S. COULD PROVIDE ANY ASSISTANCE GOE DESIRES IN ESTABLISHING SUCH A MECHANISM. KISSINGER

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

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